

ROD GRAMS

PLAN FOR RETIREMENT SECURITY

UNITED STATES SENATOR ■ MINNESOTA

WE DESERVE A BETTER EXPLANATION OF EXPLANATION OF SOCIAL SECURITY FUND

Social Security was meant to help people on their act old and couldn't work animore when they got old and couldn't work anymore. Anyone who reads or listens to the news Anyone who reductor increment has been tapshould know that the government has been tap-Should know that the government has been tapping the money that is over what is needed. No Twould suggest that as many people as I would suggest that mambars of Congress while write to all the mambars of ping the money that is being used for.

one knows what it is being used. possible write to all the members of Congress possible write to all the members of Congress asking them to leave all the taxes paid into the asking them to leave and out book all that has considered the contract of the c Social Security fund and put back all that has We keep hearing about saving Social Sevve keep nearing about saving social security taxes being curity. With all the Social Security taxes here been taken out already. curity. With all the Social Security taxes being paid, no one should have to wonder about the find or should it running out of paid, no one should have to wonder about the future of the fund or about it running out of Thave some ideas about what has been hapnave some ideas about what has been happening to the fund. What is being told by Conpening to the fund. pening to the rund. vyhat is being told by Congress through the media is too far from the real truth of what is really hopping. money.

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BREAKING NEWS:

Congress Passes Grams' Lockbox

As part of the annual budget resolution, Congress passed my lockbox legislation to lock-in Social Security dollars for their intended use: financial security for retirees. The Grams' lockbox in effect stops Washington from spending the Social Security surplus by reducing government spending, including Congressional Members' pay, and returning the money to the Social Security Trust Fund if any of the surplus is spent.

Seniors' Right to Work Becomes Law

Congress passed and the President signed into law legislation I cosponsored to repeal the earnings test that restricts America's senior citizens who choose to work. The Social Security Earnings Test Elimination Act allows people older than 65 and younger than 70 to earn income without losing their Social Security benefits, retroactive to January 1, 2000.

Grams' Social Security Web Page **Updated**

I posted an updated Social Security link on my page on the World Wide Web. The page includes information about the Grams' Plan for Retirement Security, which includes the Grams' lockbox and the Personal Security and Wealth in Retirement Act. The site's address is: www.grams.senate.gov.

United States Senate

Washington, D.C. 20510-2304

Not long ago, a letter to the editor like this one appeared in a Minnesota newspaper. It raised some serious questions about our nation's retirement system. The letter highlights one of my biggest concerns, and an issue that is rarely reported or understood by the general public: that the federal government has been taking funds supposedly reserved for the Social Security Trust Fund and using them for other

spending programs.

While politicians of all stripes talk about "saving Social Security," Congress has finally acted to do just that. At the beginning of this year, I introduced the Grams' lockbox, legislation that in effect stops Washington from spending the Social Security surplus. It does so by reducing government spending, including Congressional Members' pay, and returning the money to the Social Security Trust Fund if any of the surplus is spent. As a member of the Senate Budget Committee, I offered this legislation as an amendment to the Fiscal Year 2001 budget, then I ensured it was included in the final budget approved by both the Senate and the House of Representatives.

This is the first step that needs to be taken to save Social Security: protecting funds that are already there for our nation's retirees. But if further steps are not taken to save Social Security and repay the IOUs which have built up for years in

the Social Security Trust Fund, it will not be able to provide retirement security unless taxes are raised, benefits are cut or the retirement age is boosted. None of those are options to me.

Action should be taken to help not only today's retirees, such as the Grams' lockbox Congress passed, but also those who are working today and want to begin planning for their retirement. Perhaps even more important, these steps will ensure that those who have not even begun to enter the workforce, our children and grandchildren, are cared for in the years to come.

I have some ideas I would like to share with you on how to preserve, protect and strengthen our retirement system. Your feedback on these ideas is crucial to make sure our nation's retirement program accomplishes it goal: security in our retirement years.

Sincerely,

Rod Grams

United States Senator

HOW TO CONTACT MY OFFICES:

Your input is vital to the success of initiatives Congress may consider. As always, I encourage you to contact me with your comments and suggestions:

2013 Second Avenue North Anoka, Minnesota 55303 Phone: (763) 427-5921 Fax: (763) 427-8872

257 Dirksen Senate Office Building Washington, D.C. 20510

Phone: (202) 224-3244 Fax: (202) 228-0956

Email: mail_grams@grams.senate.gov World Wide Web: http://grams.senate.gov

SENATOR ROD GRAMS • SAVING SOCIAL SECURITY

What happened to the Social Security program that helped my parents and grandparents?

The Social Security system is financed on a "pay-as-you-go" basis. That means that the money being invested in Social Security today is used for today's retirees. Retirement benefits for today's workers will be paid by tomorrow's workforce.

Since the program's inception in 1935, taxes have had to be increased more than 30 times to account for significant demographic shifts. People are living longer and choosing to retire earlier than in the past. That means that more and more retirees are depending on fewer and fewer workers. For example,

in 1941, there were over 100 workers to support each retiree. Today, that number has shrunk – 3 workers to support each retiree. The balance struck in the past is teetering toward bankruptcy. By 2025, it is expected that there will be fewer than two workers to support each retiree. With fewer people pay-

ing for today's retirees, the "pay-as-you-go" financial system is fracturing the income people expect in their retirement years.

I've invested a portion of every paycheck I've earned into the Social Security Trust Fund. So where is my money?

"Trust funds" don't protect Social Security funds. In fact, over time, the government has spent over \$800 billion of the Social Security surplus. Social Security taxes are used to pay for today's retirees, and the government has been spending what is left—which is nothing but IOUs the government cannot afford to buy back.

Social Security spending is set to exceed tax revenues in 2015. The trust fund itself is on course to become bankrupt by the year 2037. Depending on demographic shifts, this could happen even faster. The biggest risk is to do nothing at all.

Meanwhile, retirees have less and less money to draw from.

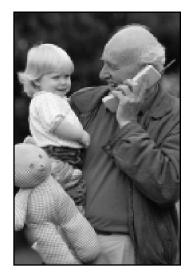
The rate of return on their lifetime of investment into Social Security is too low.

Investors see an average return of 7% on their investments, but as of today, the real rate of return on Social Security is less than 2% for most families, and shows a negative rate of return for others. That is hardly an investment that creates retirement security.

Why doesn't Washington just fix the program?

That is much easier said than done. First, the Social Security system has a total liability of over \$20 trillion. With nothing

more than IOUs to show in the bank, payroll taxes may have to be increased by at least 100% in order to maintain the existing benefit structure for tomorrow's retirees. That is a huge tax increase to simply maintain benefits that are already shrinking in comparison to the rising costs of living and health care faced by seniors.



Besides a tax increase, there have been proposals to reduce benefits under Social

Security. If today's retirees have to stretch their income to meet their needs, imagine what a reduction in benefits will do to tomorrow's retirees.

Others suggest that we increase the retirement age to 70, or even 80. But what about physical laborers? Construction work-

ers? Farmers? Home builders? Can we really expect elderly workers to continue these pursuits after the current age of 65? I doubt that is a realistic alternative to saving Social Security.

With those options being unrealistic, we need to look toward the future and determine how best to save Social Security and provide for

tomorrow's retirees. In doing so, we need to find ways that protect current and future beneficiaries, allow freedom of choice in retirement options, preserve the safety net, improve seniors' retirement security, and create a fully funded system and do so without increasing taxes or the retirement age. Doing so will not simply extend Social Security's viability, but ensure that hardworking Americans have retirement security.

"The biggest risk is to do nothing at all"



SENATOR ROD GRAMS • SAVING SOCIAL SECURITY

GRAMS' LOCKBOX



Despite promises made by both Congress and the President that they will not spend a penny of the Social Security surplus funds, the risk -- until recently -- remained that they would. Year after year, Washington's big spenders dipped into the fund to finance other government programs. When Washington attempted to prioritize funding, Social Security kept receiving the short end of the budgeting stick. I want to save Social Security and make it a top priority.

The first step in that process was enacting the Grams' lockbox, legislation that triggers an automatic reduction in government spending, other than Social Security, and including Congressional members' pay, if any of the Social Security surplus is spent, returning it to the Social Security Trust Fund. This would lock up surpluses in the trust fund in case budget

forecasts were inaccurate and surpluses were spent. The Grams' lockbox saves Social Security from Washington's big spenders – and reaffirms a commitment to our nation's retirees.

This was one of the first pieces of legislation I introduced this year, and, as a member of the Senate Budget Committee, I offered it successfully as an amendment to the Fiscal Year 2001 Budget. I worked with colleagues to successfully pass it by the full Congress in April.

With the passage of the Grams' lockbox, retirees can be assured the funds that are supposed to be reserved for their retirement will, in fact, be used for that purpose, instead of other spending. Social Security is now one step closer to being saved.

THE PERSONAL SECURITY AND WEALTH IN RETIREMENT ACT

My Plan, The Personal Security and Wealth in Retirement Act, restores the values on which Social Security was founded. It offers every American the opportunity to achieve personal wealth — and the dignity, freedom, and security it affords — in retirement. At the heart of the Personal Security and Wealth in Retirement Act is the personal retirement account, or PRA. A PRA would allow workers the freedom to design their own retirement plans, investing in equities, bonds, or T-bills, or any combination of these, with approved investment firms and financial institutions.

There is no doubt that a market-based retirement system and the power of compound interest will generate much better returns than the traditional Social Security system. Under today's Social Security program, after a lifetime of work, a worker with a \$36,000 a year job can expect to receive \$15,360 annually; under the Personal Security and Wealth in Retirement Act, a personal retirement account is projected to provide that same worker \$78,168.

These are not abstract numbers. Personal retirement accounts have been tested around the world, and they work. In fact, they are being used on a smaller scale in the United States. Galveston County employees decided to "opt-out" of the Social Security system and in its place created a private retirement plan. While the maximum Social Security benefit is \$1,280 per month, the average retirement benefits for Galveston County employees is \$4,790 per month. Not a bad return on an investment – and certainly more economic security than the current system affords.

Despite the obvious benefits of a PRA under my plan, if a retiree chooses to stay within the traditional Social Security system, that's their right, and the government will guarantee their promised benefits — they won't be cut and Washington can't increase the retirement age.

Special protections have been built in to keep the PRAs safe. Government-approved, private investment companies would manage them; those companies would be insured to guarantee a return higher than what Social Security provides today. Rules similar to those that apply to Individual Retirement Accounts would apply to PRAs. If a worker happened to fall short of accumulating the minimum retirement benefits, the federal government would make up the difference. Other safety net programs, such as disability and survivor insurance, are also included.

The Personal Security and Wealth in Retirement Act also offers features not found within Social Security. Workers can choose when they want to retire. As long as they accumulate the minimum benefits necessary for their lifetime, they're free to retire whenever they want. PRAs could be established early on in life, before a child is even out of diapers. The idea is that when a child is born and given a Social Security number, his or her parents or grandparents should be able to begin putting money into that child's retirement account. One thousand dollars deposited for a newborn could grow to over \$200,000 by the time that child retires. Not a bad start!

The accumulated funds can be used upon retirement to buy an annuity, paying promised benefits for the rest of a retiree's life, and even the life of their spouse. Or the retiree could make regular withdrawals or a lump sum withdrawal, as long as they didn't deplete their PRA early and be left without retirement support.

The Personal Security and Wealth in Retirement Act ensures that your PRA remains your private property, and that you've got a right to pass it on. When you die, the remaining funds would be transferred to anyone you designate, free of inheritance taxes.

The Personal Security and Wealth in Retirement Act confidently answers the question of whether prosperity in retirement can best be achieved by the government or by you, the individual.

Given the tools — and the freedom to put them to work — every American will discover that a successful, secure future is just a PRA away.

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THE GRAMS' PLAN FOR RETIREMENT SECURITY

Grams' Lockbox (S. 1693)

Triggers an automatic reduction in government discretionary spending, including Congressional members' pay, if any of the Social Security or Medicare surplus is spent, returning it to the Social Security and Medicare Trust Funds.

Personal Security and Wealth in Retirement Act (S. 1103)

Offers hardworking Americans the option of participating in personal retirement accounts (PRAs) while guaranteeing minimum retirement benefits.

Social Security Benefits Guarantee Act (S. 1102)

Legally binds the federal government to pay full Social Security benefits plus a reasonable COLA.

Fair COLA for Seniors Act (S. 1247)

Ensures Social Security recipients receive accurate cost of living adjustments that truly reflect their spending, including seniors' health and medical expenses.

The Social Security Information Act (S. 1104)

Provides Americans with adequate information which they can use to begin planning for their retirement, such as the rate of return on their Social Security investment.

MEDS Act (S. 1535)

Gives needy seniors access to prescription drugs without raising Medicare premiums.

Tax Relief for Seniors Act (S. 488)

Repeals taxes on seniors' Social Security income.

THE GRAMS' PLAN FOR RETIREMENT SECURITY

As I work to save Social Security, I would appreciate hearing your views. Please share your ideas with me and answer the following questions. I would also like to have the opportunity to share your views and those of other Minnesotans with my Senate colleagues as Congress addresses how to achieve a retirement system that best meets the needs of the retirees of both today and tomorrow.

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Do you think we should borrow from the Social Security Trust Fund? 'YES NO Do you support the Grams' Lockbox to protect the Social Security and Medicare surpluses? 'YES NO Do you support my legislation to repeal the Clinton tax increase on Social Security income? 'YES NO Do you think that people should be given the option to participate in personalized retirement accounts, while being guaranteed minimum retirement benefits? 'YES NO Your Name	SENATOR ROD GRAMS 257 DIRKSEN SENATE OFFICE BUILDING WASHINGTON, D.C. 20510
Your Address	
Your Email Address Please send me more information on the Grams' Plan for Retirement Security.	





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